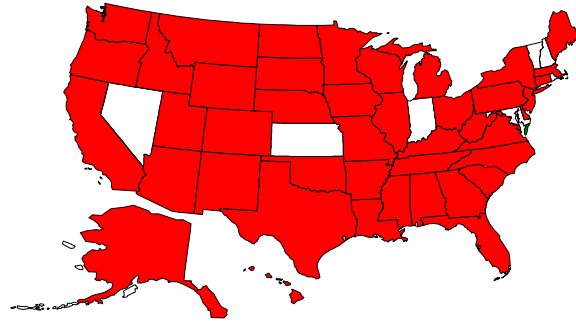




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Line item veto across the nation



Source: NCSL

States shaded denote those with some form of line item veto

The **line item veto** approach to fiscal management is one that is long overdue in Indiana. Currently, 43 states have some form of line item veto to manage their budgets. The Indiana Constitution only allows the governor to veto the entire budget without the authority to reduce certain spending measures. Giving executive authority to reduce spending by line item would allow the governor to cut spending immediately, rather than to force dramatic cuts in spending later in the biennium hurting essential state services when they are needed most. In FY 2002 and FY 2003, the administration cut nearly one billion dollars to successfully meet the goals of the state's Balanced Budget and Deficit Management plans, yet Indiana's 2004 –2005 biennial budget was passed with bipartisan support and signed into law with structural deficits of more than \$800 million for FY 2004, and more than \$650 million for FY 2005.

Further ability to reduce spending at times when it is needed most will contribute to the state's financial solvency in tough, as well as prosperous economic times.

What is meant by a "structural" deficit? A structural deficit occurs when the state budget becomes law without projected revenues meeting the needs of intended expenditures.

Types of line item vetoes

Under various line item veto measures across the nation, state's governors have the authority to veto the following portions of state budgets:

- **Funding for a particular line item**
- **Funding for an entire program or agency**
- **Restrictive language accompanying an appropriation**
- **Restrictive language in footnote or following appropriation explaining how funds are to be spent**
- **Proviso or contingency language on expenditure of appropriation**
- **Reduce appropriation or substitute new measures for consideration**

NOTE: States may allow various combinations of above methods.

Source: *National Conference of State Legislatures(NCSL)*

Action necessary

Gov. Kernan will ask for an amendment to the Indiana Constitution, which requires passage by two separately elected General Assemblies, followed by a statewide ballot referendum. **The timeline:**

2004

The 113th General Assembly approves line item veto legislation and the bill is signed by the governor.

2005

The 114th General Assembly approves line item veto legislation and the bill is signed by the governor.

2006

A line item veto referendum is placed on the ballot for the November general election to let voters choose whether or not to amend the state's constitution.

2007

Line item veto ability can be used in the 115th General Assembly.